

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2001-245

May 8, 2001

PUBLIC UTILITIES COMMISSION
Investigation of Rate Design
of Transmission and Distribution
Utilities

NOTICE OF INVESTIGATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

Through this Notice, the Commission initiates an investigation into the rate design of Central Maine Power Company (CMP), Bangor Hydro-Electric Company (BHE), and Maine Public Service Company (MPS).

During the “megacase” proceedings to establish transmission and distribution (T&D) rates effective with the beginning of retail access, the Commission decided not to alter the utilities’ basic rate designs so as to avoid customer confusion and disparate rate impacts among customer classes at the start of retail access.¹ See e.g., *Order*, Docket No. 97-580 at 113-114, 145-146 (Mar. 19, 1999). The Commission did indicate that, after some experience with restructuring, it would examine rate design in light of the fact that utilities now provide only T&D service. *Id. at 116*; *Order*, Docket No. 97-596 at 78-79 (Nov. 24, 1999).

The Commission hereby initiates an investigation into the rate designs of CMP, BHE, and MPS. We have decided to proceed, at least initially, through a single investigation because the fundamental issues regarding the design of rates for T&D-only utilities are expected to be common to the three utilities.

In initiating this rate design proceeding, the Commission is aware of the substantial increases in supply prices over recent months. These increases may constrain the extent to which any rate design changes that would further increase rates can be implemented in the near future.² For this reason, we are considering focusing our efforts in this proceeding on the following issues:

¹The approach has been referred to as the “no losers” principle.

²Certain rate design changes could, however, mitigate supply price increases to those customers most adversely impacted. For example, supply price increases have had the greatest impact on high usage customers. A move away from recovering T&D costs through usage sensitive charges could mitigate to some degree the increases in supply prices for high use customers.

- to what extent should revenues (T&D and stranded costs) that are currently recovered in per kWh charges be shifted into fixed and/or demand charges;
- should time-of-use periods be set to be consistent with industry standards (i.e. 5 x 16 on-peak period) and, if so, how should revenues be allocated among time periods;
- should seasonal differentials be reduced or eliminated; and
- should any rate design changes be phased-in and, if so, how should the phase-in be accomplished in light of expected decreases in distribution rates under CMP's ARP and the general decline in stranded costs over time.

Under this limited scope approach, the investigation would not examine distribution cost class allocations or a redesign of standby rates.³ By limiting the scope in this manner, we would hope to reduce controversy and maximize the prospects of accomplishing productive changes to T&D rate design. Prior to making any decisions on the appropriate scope of this investigation, however, we solicit comments from interested persons on this matter.

Any person who wishes to participate in this proceeding as a party must file a petition to intervene with the Commission's Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018, by May 17, 2001. Petitions to intervene must be in writing and state the name and docket number of this proceeding and how the petitioner is affected by the proceeding. The petition should also include a short and plain statement of the nature and extent of the participation sought. Shortly after the deadline for petitions to intervene, the Commission will send to each proposed intervenor a copy of the service list in this case. Persons that do not want to be a party, but wish to monitor the proceeding may request to be placed on the Commission's interested person list by contacting the Commission's Administrative Director at the same address listed above.

A pre-hearing conference on this matter will be held on May 23, 2001 at 10:30 a.m. in the Commission's hearing room. The purpose of the conference is rule on petitions to intervene, and to discuss the scope of the proceeding, the need for and type of cost studies, and the schedule for processing this Investigation. Any objections to petitions to intervene and written comments on the other matters to be discussed at the pre-hearing conference must be filed by May 21, 2001.

³ We will consider the allocation of stranded costs among customer classes in our proceeding to re-set stranded costs.

Dated at Augusta, Maine, this 8th day of May, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond